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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

2004 DEC -21 A 8:35 DOCKETED

MARC SPITZER, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

DEC 02 2004

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF
PINE WATER COMPANY FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY, A RATE INCREASE AND FOR
APPROVAL TO INCUR LONG-TERM DEBT.

DOCKET NO. W-03512A-03-0279

PROCEDURAL ORDER

BY THE COMMISSION:

In Decision No. 67166 (August 10, 2004), the Arizona Corporation Commission ("Commission") granted Pine Water Company ("Pine Water" or "Company") a permanent revenue increase of approximately 11.8 percent pursuant to a settlement agreement entered into by Pine Water, the Commission's Utilities Division Staff ("Staff"), and other intervenors. Decision No. 67166 also directed Staff to prepare a Staff Report within three months addressing whether a moratorium on new water hook-ups should be reinstated for Pine Water. Pine Water is currently subject to a limited moratorium pursuant to Decision No. 65435 (December 9, 2002), whereby the Company is limited to a maximum of 25 new service connections per month.

On November 19, 2004, Staff issued its Staff Report in accordance with Decision No. 67166. In the Staff Report, Staff recommends that Pine Water be prohibited from connecting any new customers due to Staff's determination that inadequate sources of water are available to serve additional customers. Staff also indicates that the Arizona Department of Environmental Quality ("ADEQ") is unable to determine if the Company is currently delivering water that meets water quality standards required under the Arizona Administrative Code. According to Staff, ADEQ has reported that Pine Water has a pending Consent Order, Notice of Violations, and numerous plant deficiencies.

By Procedural Order issued November 23, 2004, a Procedural Conference was scheduled for December 1, 2004. The Procedural Conference was held as scheduled.

1 At the December 1, 2004 Procedural Conference, the parties agreed that it was appropriate to
2 schedule a hearing to address the issues raised in the November 19, 2004 Staff Report with respect to
3 the moratorium on hookups and ADEQ compliance.

4 IT IS THEREFORE ORDERED that a hearing shall be held in this matter on **February 14,**
5 **2005, at 10:00 a.m.,** at the offices of the Commission, 1200 West Washington, Phoenix, Arizona.

6 IT IS FURTHER ORDERED that intervention shall be in accordance with A.A.C. R14-3-105,
7 except that all motions to intervene must be filed on or before January 10, 2005.

8 IT IS FURTHER ORDERED that objections to any motions to intervene must be filed on or
9 before January 20, 2005.

10 IT IS FURTHER ORDERED that the Company shall provide public notice of the hearing in
11 this matter, in the following form and style:

12 **PUBLIC NOTICE OF HEARING ON THE ARIZONA CORPORATION COMMISSION**
13 **UTILITIES DIVISION STAFF'S RECOMMENDATION FOR A**
14 **MORATORIUM ON NEW SERVICE CONNECTIONS FOR**
PINE WATER COMPANY
DOCKET NO. W-03512A-03-0279

15 In Decision No. 67166 (August 10, 2004), the Arizona Corporation Commission
16 ("Commission") granted Pine Water Company ("Pine Water" or "Company") a
17 permanent revenue increase of approximately 11.8 percent pursuant to a settlement
18 agreement entered into by Pine Water, the Commission's Utilities Division Staff
19 ("Staff"), and other intervenors. Decision No. 67166 also directed Staff to prepare a
Staff Report within three months addressing whether a moratorium on new water
hook-ups should be reinstated for Pine Water. Pine Water is currently subject to a
limited moratorium pursuant to Decision No. 65435 (December 9, 2002), whereby the
Company is limited to a maximum of 25 new service connections per month.

20 On November 19, 2004, Staff issued its Staff Report in accordance with Decision No.
21 67166. In the Staff Report, Staff recommends that Pine Water be prohibited from
22 connecting any new customers due to Staff's determination that inadequate sources of
23 water are available to serve additional customers. Staff also stated that the Arizona
24 Department of Environmental Quality ("ADEQ") is unable to determine if the
Company is currently delivering water that meets water quality standards required
under the Arizona Administrative Code. According to Staff, ADEQ has reported that
Pine Water has a pending Consent Order, Notice of Violations, and numerous plant
deficiencies.

25 The Commission will hold a hearing on this matter beginning **February 14, 2005, at**
26 **10:00 a.m.,** at the Commission's Phoenix office, 1200 West Washington Street,
27 Phoenix, Arizona. Public comments will be taken at the commencement of the
28 hearing.

1 The law provides for an open public hearing at which, under appropriate
2 circumstances, interested parties may intervene. Intervention shall be permitted to any
3 person entitled by law to intervene and having a direct and substantial interest in the
4 matter. Persons desiring to intervene must file a written motion to intervene with the
5 Commission, which motion should be sent to the Company or its counsel and to all
6 parties of record, and which, at the minimum, shall contain the following:

- 7 1. The name, address, and telephone number of the proposed intervenor
8 and of any party upon whom service of documents is to be made if
9 different than the intervenor.
- 10 2. A short statement of the proposed intervenor's interest in the
11 proceeding (e.g., a customer of the Company, a shareholder of the
12 Company, etc.).
- 13 3. A statement certifying that a copy of the motion to intervene has been
14 mailed to the Company or its counsel and to all parties of record in the
15 case.

16 The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except
17 that all motions to intervene must be filed on or before January 10, 2005. The
18 granting of intervention, among other things, entitles a party to present sworn evidence
19 at hearing and to cross-examine other witnesses. However, failure to intervene will
20 not preclude any customer from appearing at the hearing and making a statement on
21 such customer's own behalf.

22 If you have any questions or concerns about this application or have any objections to
23 its approval, or wish to make a statement in support of it, you may write the Consumer
24 Services Section of the Commission at 1200 West Washington Street, Phoenix,
25 Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make comment.

26 The Commission does not discriminate on the basis of disability in admission to its
27 public meetings. Persons with a disability may request a reasonable accommodation
28 such as a sign language interpreter, as well as request this document in an alternative
format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-
3931, E-mail lhogan@cc.state.az.us. Requests should be made as early as possible to
allow time to arrange the accommodation.

IT IS FURTHER ORDERED that Pine Water Company shall mail a copy of the notice set
forth above to each property owner in its service territory by no later than December 27, 2004.

IT IS FURTHER ORDERED that Pine Water Company shall publish the notice set forth
above in a newspaper of general circulation in its service area by no later than December 27, 2004.

1 IT IS FURTHER ORDERED that Pine Water Company shall file certification of
2 mailing/publication as soon as possible after the mailing has been completed but no later than January
3 17, 2005.

4 IT IS FURTHER ORDERED that Pine Water Company shall file its direct testimony
5 responding to the recommendations and allegations set forth in the November 19, 2004 Staff Report
6 by no later than January 17, 2005.

7 IT IS FURTHER ORDERED that Staff and intervenors shall file rebuttal testimony by no
8 later than January 31, 2005.

9 IT IS FURTHER ORDERED that Pine Water Company shall file surrebuttal testimony, if
10 any, by no later than February 7, 2005.

11 IT IS FURTHER ORDERED that the ex parte rule (A.A.C. R14-3-113-Unauthorized
12 Communications) applies to this proceeding as the matter is now set for public hearing.

13 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
14 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
15 hearing.

16 DATED this 2nd day of December, 2004.

17 

18 DWIGHT D. NODES
19 ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

20 Copies of the foregoing mailed
this 17 day of December, 2004 to:

21 Jay Shapiro
22 Patrick Black
23 FENNEMORE CRAIG
24 3003 N. Central Avenue, Suite 2600
25 Phoenix, Arizona 85012
26 Attorneys for Pine Water Company

27 Robert M. Cassaro
28 P.O. Box 1522
Pine, AZ 85544

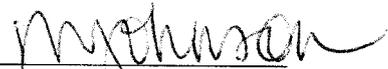
1 John O. Breninger
2 P.O. Box 2096
3 Pine, AZ 85544

3 John G. Gliege
4 P.O. Box 1388
5 Flagstaff, AZ 86002
6 Attorney for Pine-Strawberry Water Improvement District

6 Christopher Kempley, Chief Counsel
7 LEGAL DIVISION
8 Arizona Corporation Commission
9 1200 W. Washington Street
10 Phoenix, Arizona 85007

9 Ernest G. Johnson, Director
10 UTILITIES DIVISION
11 Arizona Corporation Commission
12 1200 W. Washington Street
13 Phoenix, Arizona 85007

13 ARIZONA REPORTING SERVICE
14 2627 N. Third Street, Ste. Three
15 Phoenix, AZ 85004-1003

15 By: 
16 Molly Johnson
17 Secretary to Dwight D. Nodes
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22
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24
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